



LINDA S. ADAMS  
SECRETARY FOR ENVIRONMENTAL  
PROTECTION

# CALIFORNIA INTEGRATED WASTE MANAGEMENT BOARD



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DATE: December 30, 2009  
TO: California Environmental Protection Agency  
TO: Michael C. Genest, Director, California Department of Finance  
FROM: Mark Leary, Executive Director, California Integrated Waste  
Management Board  
SUBJECT: Review of the Systems of Internal Control

In accordance with the Financial Integrity and State Managers Accountability Act of 1983, Government Code Sections 13400 through 13407, I am submitting the enclosed report describing the review of our systems of internal control for the biennial period ended December 31, 2009.

As statutorily required, the California Integrated Waste Management Board is in compliance with Government Code Section 12439.

Should you have any questions, please contact Brian Kono, Audit Manager, Audits and Evaluations Unit, at (916) 445-1834, or bkono@ciwmb.ca.gov.

Sincerely,

Mark Leary, Executive Director  
California Integrated Waste Management Board

Attachment

cc: Rubia Packard, Chief Deputy Director  
Tom Estes, Deputy Director  
Howard Levenson, Program Director  
Ted Rauh, Program Director



INTEGRATED  
WASTE  
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## FINANCIAL INTEGRITY AND STATE MANAGER'S ACCOUNTABILITY ACT REPORT FOR 2009

### AGENCY NAME

California Environmental Protection Agency

### DEPARTMENT NAME

California Integrated Waste Management Board

### ORGANIZATION CODE

3910

### INTRODUCTION

In accordance with the Financial Integrity and State Manager's Accountability Act of 1983, the Audits and Evaluations Unit of the California Integrated Waste Management Board (Board) submits this report on the review of the systems of internal control for the biennial period ending December 31, 2009.

Should you have any questions please contact Brian Kono, Audit Manager, Audits and Evaluations Unit, at (916) 445-1834, or email at [bkono@ciwmb.ca.gov](mailto:bkono@ciwmb.ca.gov).

### BACKGROUND

The Legislature enacted Government Code Section 13400, which created the Financial Integrity and State Manager's Accountability Act of 1983 (FISMA).

(Over)



INTEGRATED  
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FISMA charges each state agency with the responsibility of maintaining effective systems of internal accounting and administrative program control as an integral part of its management practices. All levels of management at every state agency must be involved in assessing and strengthening these systems. In addition, the Legislature mandated that the systems of internal accounting and administrative program control be evaluated on an ongoing basis. The Board's Audits and Evaluations Unit performed a review of these systems to comply with the reporting requirements of FISMA.

The Board is the designated State agency to oversee, manage, and track California's 93 million tons of waste generated each year. The Board promotes a sustainable environment where the waste generated resources are not wasted, but can be reused or recycled through innovative programs and incentives throughout California. In addition, the Board promotes the use of new technologies for the practice of diverting California's resources away from landfills.

The Board is composed of six board members. The Governor appoints four members, and the remaining two members include an appointment by the Senate Committee on Rules, and an appointment by the Speaker of the Assembly. In addition, the remaining two members represent the public; one with industry expertise, and the other with environmental field expertise.

The Board provides grants and loans to help California cities, counties, businesses, and organizations meet the State's waste reduction, reuse, and recycling goals. In addition, the Board provides funds to clean up solid waste disposal sites and codisposal sites (sites accepting both hazardous and nonhazardous waste).

In addition, the Board develops and promotes alternatives to the illegal disposal of used oil, develops technical standards and permit requirements for waste tire facilities, promotes reuse and recycling of electronic devices, and encourages purchasing of environmentally preferable devices.

The Board is one of six agencies under the umbrella of the California Environmental Protection Agency (Cal/EPA). The Board's organization code is 3910.

## **VACANT POSITIONS**

The California Integrated Waste Management Board maintains compliance with Government Code Section 12349, which states that any state position that is vacant for six consecutive monthly pay periods shall be abolished by the Controller's office on the following July 1.

## **OBJECTIVE AND SCOPE**

The objective of the internal accounting and administrative program control review was to identify the areas of greatest risk and vulnerabilities in compliance with FISMA. The scope of the review included conducting an internal control survey to assess the Board's system of internal accounting and administrative controls.



## **METHODOLOGY**

To initiate the review, the Audits and Evaluations Unit (A&E) gained an understanding of the Board's mission, strategic directives, and critical functions. A&E became familiar with the control environment of the Board through review of the 2007 FISMA Report, issued by the Department of Finance on April 3, 2007. Using an internal control survey questionnaire, A&E conducted interviews with the Board's executive management personnel and division deputies. The responses were subsequently discussed with the executive management and deputies to identify areas of concern or issues, corrective actions, and the resolution of previous audit findings.

A&E collaborated with the Board's executive management and division deputies to conduct a risk analysis to identify and evaluate the threats and/or risks, which could impede the achievement of the Board's goals and objectives. Discussion sessions with executive management and the division deputies were conducted to identify the significant issues impacting the Board's functions. In addition, the control environment was discussed during the sessions. An evaluation of the controls was performed to address risk and control issues as well as applicable corrective actions. The results of these activities are specified in the Conclusion - Issues and Corrective Actions Section of this report.

## **PRIOR FINDING FOLLOW-UP SUMMARY**

The prior FISMA audit (2007) was performed by the Department of Finance (DOF) and resulted in ten findings, which were addressed with the exception of three findings requiring additional follow-up as shown below:

- 1) Inadequate separation of duties identified was corrected.
- 2) Inadequate reconciliation and monitoring of accounts receivable was identified and corrected. However, the State Attorney General's Debt Collection Office could not locate the party involved in reference to one revenue (receivable) account totaling \$503,670. As a result, the receivable was referred to the Franchise Tax Board for interagency intercept collections.
- 3) Inadequate monitoring controls identified for grants and contracts were addressed through the implementation of training and procedures for contracts only. The policies and procedures for grants were not modified; however, according to DOF's chief auditor, management is clearly defining the procedures and requirements as well as terms and conditions to be used for the grant agreements.

## **CONCLUSION - ISSUES AND CORRECTIVE ACTIONS**

The Issues and Corrective Actions were developed through collaborative risk and control assessment interviews between Audits and Evaluations Unit staff, and the Board's executive management and division deputies.

The issues identified, risks assessed, and related corrective actions are considered enhancements to activities designed to achieve the Board's missions and goals, rather than a representation of control deficiencies.

### **Issue 1:**

The fiscal and program oversight for grants is not adequately provided to ensure consistent interpretation of grant program procedures and requirements (P&Rs) as well as the terms and conditions (T&Cs).

### **Risk:**

The lack of oversight subjects the Board to:

- Inconsistent interpretation of P&Rs and T&Cs by grant managers
- Increased opportunities for interpretation errors
- Reduced legal staff opportunities to provide interpretation, opinion, or support

### **Corrective Action:**

A management and executive level Grants Work Group was created within the Board to mitigate the issues and risks above, review current policies and procedures, address options, and provide recommendations. In addition, monthly training is being provided to grant managers, supervisors, and staff to ensure that roles, responsibilities, expectations, processes, and procedures are communicated and understood.

### **Issue 2:**

The program procedures and requirements need simplification and streamlining to reflect Board policies clearly and accurately.

### **Risk:**

The lack of clear and accurate P&Rs increases the misinterpretation of P&Rs, and Board policies for both the grantee and grant manager.

### **Corrective Action:**

Provide process clarification through timely, comprehensive, and written guidance to all parties involved. In addition, provide ongoing feedback on the process status, and the development of methods to reduce processing timeframes.

### **Issue 3:**

The administrative policies and procedures are not effectively documented, consistently applied, reviewed for efficiency and effectiveness, and require updating.



**Risk:**

The Board may fail to implement the correct administrative policies and procedures.

**Corrective Action:**

Augment the fiscal oversight and quality assurance function. Recruitment for an additional analyst is underway to oversee administrative policies and procedures.

**Issue 4:**

The existence of a clear systematic approach to incorporating necessary staff process changes, based on audit findings, to manage the Board's grants and contracts remains tentative.

**Risk:**

The effectiveness and efficiency of the grant and contract oversight function may be compromised.

**Corrective Action:**

A Grants Work Group made up of management and executive level staff was created within the Board to develop a systematic approach to ensure that staff process changes are made to necessary grant and contract management processes to respond to, and prevent future audit findings. In addition, increased auditing of individual grants will provide ample data and feedback for managers to develop a basis for a systematic approach to ensure procedural changes to necessary grant and contract management processes, and to ensure compliance with the Grant Work Group's recommendations and implemented policies, procedures, and processes.

**Issue 5:**

The Grant Management and Contract Management Systems are not completely utilized, contain outdated information, and require updating or replacement to accurately track grant and contract funds, expenditures, and payments, and provide effective management reports.

**Risk:**

The lack of accurate information systems reduces management's ability to gather, process, track, and report grant and contract fiscal and programmatic information effectively.

**Corrective Action:**

The Grants Work Group (referenced under Issue 4 - Corrective Action) currently in place gathers information, and makes recommendations to management to address grant program areas requiring improvement.

**Issue 6:**

A more timely provision of services by and resolution of grant program issues with the Legal Office are required.

**Risk:**

The untimely resolution of grant program issues requiring legal consultation may create unnecessary delays, which could negatively impact the administration of the grant program.

**Corrective Action:**

Discussions with the Legal Office were initiated, and the need for additional legal counsel resources for grant programs was identified.

**Issue 7:**

Improve communication with key personnel within the Administration and Finance Division regarding the processing of contracts, adjustments to contracts, and invoices.

**Risk:**

Deficiencies in communication could result in contract and invoice processing errors, excess staff processing time, untimely approvals and payments, and work duplication.

**Corrective Action:**

Continue to provide process clarification through timely, comprehensive, and written guidance to all parties involved, ongoing feedback on the process status, and the development of methods to reduce processing timeframes.

**Issue 8:**

Development of a comprehensive electronic waste audit plan needs finalization to validate the following:

- Payment rates established by the Covered Electronic Waste Collection Program
- Operational compliance of participating recyclers and collectors
- Accuracy of electronic waste claims
- Effectiveness of the Board's internal program claim review process

**Risk:**

Compromised audit oversight and accountability of the electronic waste program funds reimbursed to the participating recyclers and collectors.

**Corrective Action:**

- A comprehensive audit plan has been completed, and is being implemented by the Audits and Evaluations Unit
- Complete audits in accordance with the comprehensive audit plan
- Determine the effectiveness of the plan
- Fill vacancies promptly to provide adequate audit coverage